

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, . Docket No. 13-53846
MICHIGAN, .
 . Detroit, Michigan
 . March 11, 2014
Debtor. . 10:00 a.m.

HEARING RE. CORRECTED MOTION OF THE OFFICIAL COMMITTEE OF
RETIREES FOR ENTRY OF AN ORDER ALLOWING AN
ADMINISTRATIVE EXPENSE CLAIM (DKT#2660); MOTION OF THE
CITY OF DETROIT FOR ENTRY OF AN ORDER (I) ESTABLISHING
PROCEDURES FOR SOLICITATION AND TABULATION OF VOTES TO
ACCEPT OR REJECT PLAN OF ADJUSTMENT AND (II) APPROVING
NOTICE PROCEDURES RELATED TO CONFIRMATION OF THE
PLAN OF ADJUSTMENT (DKT#2789)
BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

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1 THE CLERK: All rise. Court is in session. Please
2 be seated. Case Number 13-53846, City of Detroit, Michigan.

3 THE COURT: Good morning. I'd like to begin with
4 the Retirees' Committee motion. Where does that stand,
5 please?

6 MS. NEVILLE: Good morning, your Honor. Carole
7 Neville on behalf of the Retiree Committee. I believe Mr.
8 Alberts was going to try to dial in.

9 THE COURT: Are you on the line, sir?

10 MS. NEVILLE: Well, I'm pleased to announce we have
11 an agreement.

12 THE COURT: Okay.

13 MS. NEVILLE: What I would like to do, your Honor,
14 is to just announce that there is a fund that will be set up
15 for the committee members, and there are procedures for the
16 defense. It provides for us to file a motion to get the
17 courts to issue an injunction to protect the committee
18 members, but I would like not to have to read the terms yet
19 into the record and submit an order for your Honor's
20 consideration later.

21 THE COURT: Okay.

22 MS. LENNOX: Good morning, your Honor. Heather
23 Lennox of Jones Day for the city, for the record. I can
24 confirm what Ms. Neville told the Court. We have reached a
25 settlement. This will be documented and submitted to the

1 Court, and so we're very pleased to have this matter
2 resolved.

3 THE COURT: All right. When may we expect an order?

4 MS. LENNOX: I think we can do it expeditiously,
5 your Honor. We can get it to you this week.

6 THE COURT: Okay. Thank you. All right. And now
7 we'll address the balloting motion, please.

8 MS. LENNOX: So since we were in front of the Court
9 last Tuesday, the parties who had objected and the parties
10 that made appearances and spoke at the hearing have
11 consulted. We have reached an agreed form of order and
12 agreed procedures. We filed the clean form of order last
13 night and blacklines this morning. If your Honor doesn't
14 have the blacklines, I have copies that I can hand up.

15 THE COURT: I do, and I have read it, and it's fine
16 with me.

17 MS. LENNOX: Okay. In that case, that will save me
18 from going through lots and lots of discourse on the record
19 about what's changed. There are --

20 THE COURT: Excellent.

21 MS. LENNOX: -- a couple of representations that the
22 parties have asked me to make on the record with respect to
23 tabulation rule Number 3, and I'm happy to make them on the
24 record. Tabulation Number -- tabulation rule Number 3, your
25 Honor, basically says that the bond claims are going to be

1 temporarily allowed for voting in face amount. The city is
2 still reserving a right to object to these claims, but if it
3 does, the claims will still be allowed in their face amount
4 for voting unless the city can come to the Court and show
5 good cause why that shouldn't be the case.

6 THE COURT: Okay.

7 MS. LENNOX: This is precautionary. We're not
8 intending to object to the claims right now. We have filed
9 papers with respect to the COPs claims. As your Honor
10 pointed out last time, those are, in effect, objections to
11 claims, nevertheless, because they are in their own class,
12 and they only affect themselves and not anybody else. We
13 have agreed that for voting purposes they can vote in full
14 amounts.

15 THE COURT: Okay.

16 MS. LENNOX: There are a couple of changes to the
17 order that parties who are reading it this morning have asked
18 to make. They are very few. If I may walk your Honor
19 through them --

20 THE COURT: Sure.

21 MS. LENNOX: Okay. The first -- looking at the
22 blackline of the order, your Honor, on paragraph 6, which is
23 on page 6 of the blackline, this is a request from the
24 Retiree Committee. This is the paragraph that lists all of
25 the things that will be included in the solicitation package,

1 and we had the word "only," it will only include these
2 things. Counsel for the Retiree Committee pointed out that,
3 well, we're going to have another order where more things are
4 going to go to the retirees, so they asked us to strike the
5 word "only" --

6 THE COURT: Okay.

7 MS. LENNOX: -- which is fine. The next changes are
8 in paragraphs 9(f) of the order, which is on page 11 of the
9 blackline. Three lines up from the bottom we say that any
10 determination that your Honor may make with respect to who
11 has the right to vote will be binding on all affected
12 holders. People were concerned that that meant that they
13 couldn't appeal, so we have changed those words to
14 "applicable" to all holders.

15 THE COURT: Okay.

16 MS. LENNOX: Secondly, on that same page in
17 paragraph (h), the concept is if neither a bondholder nor the
18 trustee or the ad hoc committee objects to a notice of right
19 to vote, then the notice of right to vote will control. The
20 language just was changed from "both and" to "neither nor,"
21 just a little clarifying thing, so, your Honor, the paragraph
22 will read now, "If neither, one, an affected holder, nor,
23 two," all the parties listed there, "contests a notice of
24 asserted right to vote, the claiming party will be granted
25 the relief."

1 THE COURT: Okay.

2 MS. LENNOX: And then finally there is a typo in
3 paragraph 24 that was pointed out to me this morning. In the
4 second line of paragraph 24 on page 16 of the blackline, "We
5 should refrain from taking any action necessary or
6 appropriate to effectuate," not "effective," "the terms of
7 the order." Those are the only changes to the order, your
8 Honor.

9 THE COURT: Okay.

10 MS. LENNOX: And does your Honor have any questions
11 with respect to any of this?

12 THE COURT: No.

13 MS. LENNOX: There's one final issue that counsel
14 for the safety unions, Ms. Teicher, asked me to bring to the
15 Court's attention, with which we have agreed. By virtue of
16 some stipulations in the bar date order, counsel for the
17 safety unions -- the union filed a proof of claim for all of
18 its members that might actually have a claim. Nevertheless,
19 the union does not want to vote those claims. It wants the
20 individual members that have those claims to vote those
21 claims. We have agreed that that will happen, so --

22 THE COURT: Okay.

23 MS. LENNOX: -- I've been asked to put that on the
24 record. So with that --

25 THE COURT: Does that need to be in an order or in

1 this order?

2 MS. LENNOX: If it needs to be in an order, if Ms.
3 Teicher feels it needs to be in an order, we're happy to
4 submit a stipulation to the Court --

5 THE COURT: All right.

6 MS. LENNOX: -- to that effect, and with that, your
7 Honor, I believe that's all the open issues that we had with
8 respect to this order from last week.

9 THE COURT: Thank you. Would anyone like to be
10 heard regarding this?

11 MR. SUMMERS: Good morning, your Honor. Matthew
12 Summers, Ballard Spahr, on behalf of EEPK and affiliates,
13 which is the COPs holder. Your Honor, the narrow issue that
14 I'd just like to present to the Court, this process kind of
15 started out as trying to avoid litigation, and I think now we
16 have a briefing schedule and a proposed hearing. I, you
17 know, can see that that's the way it's going to go. The one
18 issue I'd like to raise for your Honor is that the proposed
19 hearing date under the order that's been submitted is June
20 26, and the voting deadline is June 30th. And I would
21 suggest that pushing the hearing date out into early July,
22 just past the voting deadline, might avoid litigation or
23 occupying the Court's time with a hearing over what may, in
24 fact, turn out to be a nonissue if parties and their -- well,
25 bondholders and their insurers vote the same way, and so I

1 would respectfully submit, your Honor, that that may avoid
2 some burden on the lawyers, would certainly avoid imposing on
3 your Honor that's sitting on the bench and hearing all these
4 issues, that might be a simple fix that I --

5 THE COURT: I wondered about --

6 MR. SUMMERS: -- EEPK would certainly support.

7 THE COURT: Ms. Lennox.

8 MS. LENNOX: This issue actually, your Honor, was
9 addressed at the prior hearing, and I'll reiterate the
10 reasons for doing it the way that we're doing it. First is
11 we are going to have now with how we're conducting this
12 voting almost 400 classes of claims, and for most of those
13 classes of claims we're going to have two people that claim
14 the right to vote. Because the voting in this case -- and
15 let's put the retiree voting aside one moment -- is so
16 complicated, our balloting agent had asked for three weeks to
17 tabulate the votes because it's so complicated. We said,
18 "You're not going to get three weeks. How about ten days?"
19 So they are already dealing with a very abbreviated time
20 frame, so our view is we need to know which votes they're
21 counting before they start counting. The voting deadline is
22 June 30th. That means they start counting on July 1. We
23 can't wait another five days to figure out whose votes
24 they're counting when they're counting this many complicated
25 votes. And we had talked about having the hearing later in

1 July or on July 1 after the voting deadline closes, but we
2 figured if this issue comes before your Honor, your Honor
3 might want a few days to consider the papers and issue a
4 ruling, and we didn't pressure the Court to say, "Well, your
5 hearing has" -- "We really, really need your order entered
6 the same day of the hearing," so we put the hearing as close
7 to the voting deadline as we could, and so that's the reason
8 for the process. We don't think that moving it any later
9 than that is really going to be workable.

10 THE COURT: All right. I'm going to stick with the
11 26th for yet another reason, which is I'm not available for a
12 hearing for two weeks after that anyway.

13 MS. LENNOX: Okay. That's a very good reason, your
14 Honor. All right. Thank you.

15 THE COURT: Anyone else want to say anything about
16 this?

17 MS. NEVILLE: Carole Neville for the Retiree
18 Committee. Your Honor, with respect to paragraph 17, it
19 approves the confirmation hearing notice, and I discussed
20 this with Ms. Lennox. We both agree that there may be
21 changes to it, and we wanted the Court to know that even
22 though this form is approved, it should maybe say
23 "substantially in the form" so that we have the right to make
24 some changes to it. It's very long right now and very
25 technical, and we may want to have some additions or change

1 some of the paragraphs.

2 THE COURT: Can you come up with some language that
3 allows for a little bit of leeway here?

4 MS. LENNOX: Your Honor, we can certainly say
5 "substantially in the form of," and if there are significant
6 changes, we can bring them to your attention before the
7 disclosure statement hearing.

8 THE COURT: Is that acceptable?

9 MS. NEVILLE: Yes.

10 THE COURT: All right. Would anyone else like to
11 say anything? All right. After you make those few changes,
12 you may upload it in our order processing program, and it
13 will be entered.

14 MS. LENNOX: Thank you, your Honor.

15 THE COURT: All right. Anything further for today?

16 MS. LENNOX: Not today, your Honor.

17 THE COURT: All right. We're in recess.

18 THE CLERK: All rise. Court is adjourned.

19 (Proceedings concluded at 10:12 a.m.)

INDEX

WITNESSES:

None

EXHIBITS:

None

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett

March 12, 2014

Lois Garrett